



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 11, 2001

### **H.R. 3010**

#### **A bill to amend the Trade Act of 1974 to extend the Generalized System of Preferences until December 31, 2002**

*As ordered reported by the House Committee on Ways and Means on October 5, 2001*

#### **SUMMARY**

H.R. 3010 would extend the period in which preferential treatment provided to certain products of countries under the Generalized System of Preferences (GSP) is in effect. Under current law, GSP treatment expired on September 30, 2001. The bill would allow imports under the program to enter the United States free of duty until December 31, 2002. Any imports made after September 30, 2001, and before the date of enactment would be eligible for duty-free treatment and refunds of any duty paid. The Congressional Budget Office estimates that enacting the bill would reduce revenues by \$332 million in 2002 and by \$419 million over the 2002-2003 period. Because enacting H.R. 3010 would affect receipts, pay-as-you-go procedures would apply. CBO has determined that H.R. 3010 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3010 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
<b>CHANGES IN REVENUES</b>					
Estimated Revenues	-332	-87	0	0	0

## **BASIS OF ESTIMATE**

The estimated impact of this extension is based on recent data on imports from GSP beneficiary countries. With enactment of H.R. 3010, CBO expects that GSP imports would enter the U.S. duty-free, generating a loss in customs duties. In addition, CBO expects that extension of GSP treatment would displace imports from other countries that would occur in the absence of such treatment. In the absence of specific data on this substitution effect, CBO assumes that an amount equal to one-half of the future imports from GSP beneficiary countries would displace imports from other countries. The losses of revenues from customs duties are projected using a trade-weighted duty rate with respect to beneficiary countries adjusted for tariff reductions scheduled by the World Trade Organization (WTO). Certain imports from sub-Saharan Africa will continue to receive GSP treatment under the African Growth and Opportunity Act (AGOA). Based on information from the International Trade Commission and other trade sources, CBO estimates that enacting H.R. 3010 would reduce revenues by \$332 million in 2002 and by \$419 million over the 2002-2003 period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up procedures for legislation affecting receipts or direct spending. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table.

	By Fiscal Year, In Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in receipts	-332	-87	0	0	0	0	0	0	0	0
Changes in outlays				Not applicable						

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

### **ESTIMATE PREPARED BY:**

Federal Revenues: Erin Whitaker

Impact on State, Local, and Tribal Governments: Elyse Goldman

Impact on the Private Sector: Cecil McPherson

### **ESTIMATE APPROVED BY:**

Roberton Williams

Deputy Assistant Director for Tax Analysis